



LEGISLATIVE FINANCE COMMITTEE

66th Montana Legislature

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May 29, 2019

Interim Committee members:

During this interim, the Legislative Finance Committee (LFC) will be studying the long term financial stability of the state, local government, and pensions. While the LFC specializes in the overall finance of the state, it does not delve into the details of upcoming policy concerns. To have a complete financial picture, we are asking for your assistance in developing questions, assumptions and understanding budget pressures, opportunities, and risks for the first part of the HB 715 studies.

What is the future of the program in state or local government you are most concerned about? Is there enough funding for it? Is the demand for the program increasing or decreasing as the economy changes? The analysis in support of HB 715 offers an opportunity for legislators to ask an array of questions that individually would not be feasible, but when collected and analyzed together, may be able to root out implications of significant policy questions.

HB 715 includes the following studies:

Budget Stabilization: May 2019 to January 2020

This analysis will gather data, test assumptions, and answer specific trend questions for state and local government and public pensions. A key output will be observations of trends over the past 20 years and evaluate potential outcomes of future budgets. It will specifically look at: risks, opportunities, present law budgets, trended budgets, and other spending and revenue pressures.

Financial Modernization and Risk Analysis: January 2020 to September 2020

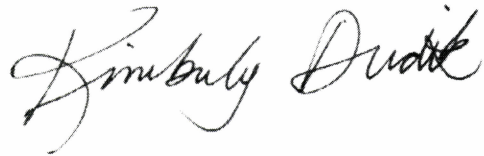
This study will take the data compiled from work from last interim, HB 715 Budget Stabilization, and other input to analyze how Montana can move its financial plan forward with the changing economy.

Over the summer of 2019, the Legislative Fiscal Division (LFD) will be developing parameters by asking questions, determining assumptions, pressures, opportunities, and risks for the Budget Stabilization portion of the study (examples attached). These parameters will be improved if your interim committee would review them. Please consider giving the LFD a short time on your agenda in September or October of 2019 to explain the work they have completed at that point in your policy areas and give them your feedback. In some interim committees, you may want to take public comment on the parameters for additional vetting. This feedback will be incorporated into the final presentation in January and part of the base knowledge for further study in 2020.

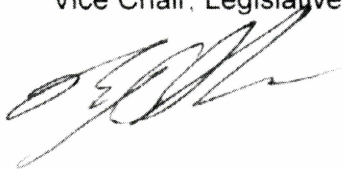
We appreciate you considering adding your expertise to this legislative study.

Sincerely,

Representative Kimberly Dudik
Chair, Legislative Finance Committee

A handwritten signature in cursive script, appearing to read "Kimberly Dudik".

Senator Ryan Osmundson
Vice Chair, Legislative Finance Committee

A handwritten signature in cursive script, appearing to read "Ryan Osmundson".

Examples of questions to be answered:

What is the likelihood that the supplemental general fund payments to the Public Employee Pension System and the Teachers Retirement System could end by 2031?

Is general fund revenue keeping pace with present law costs? Is it keeping pace with the economy?

Is local government spending keeping pace with the economy? Is it keeping pace with population and inflation growth?

How has state funding to local government changed over the past 20 years?

How will declining natural resource tax revenue affect the natural resource program funding in the state?

How will declining tobacco tax revenue affect the health program funding in the state?

Given federal budget pressure, how would changes in federal revenue impact state programs?

How will the ageing population impact the cost for social safety net programs?

Examples of assumptions:

The present law growth rate for Medicaid benefits.

The trended growth rate (including program expansions) for medical benefits.

Examples of Risks:

Colstrip no longer produces coal or power, what impact would this have on state and local revenues?

The actual and updated actual revised rate of return on pensions is at the median Board of Investments anticipated of 6.57% instead of the assumed rate of return of 7.65% for PERS and 7.5% from TRS.

Examples of Opportunities:

The new federally funded Families First program could provide additional federal funding if Montana could institute different methodologies for working with families endanger of ...

Finding better investments for dollars through more effective programs and processes discovered through proven best practices like Results First like analysis.